



Dirigo Health Agency

A Snapshot of the Program 2005 & 2006

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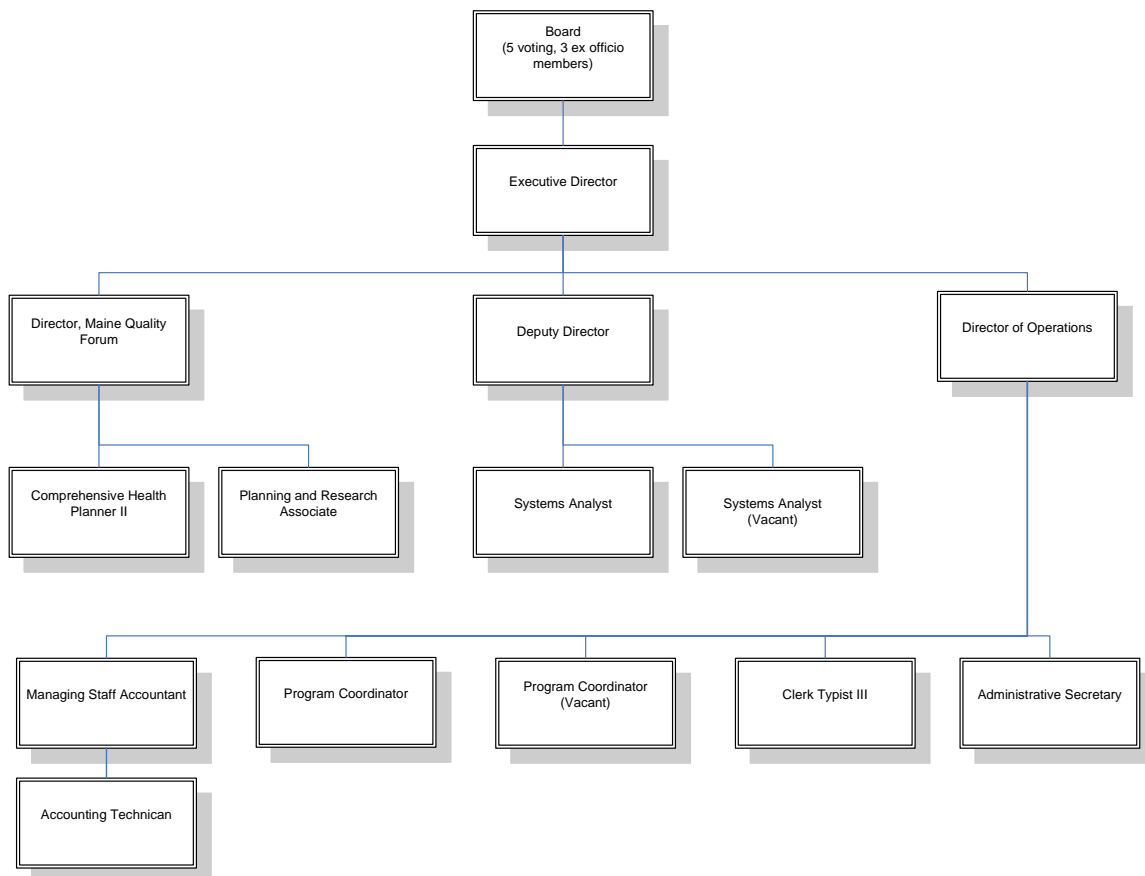
Introduction – The Act and the Agency

“The Dirigo Health Act” refers to the entire set of health reforms that the Maine Legislature passed in 2003 ([121 Session, Chapter 469, LD 1611](#)) and subsequently revised in 2005 ([122 Session, Chapter 400, LD 1577](#)).

The Dirigo Health Act created the Dirigo Health Agency (The Agency), an Independent Executive Agency, which is responsible for administering two components of the Dirigo Health Act:

- 1) Quality: Monitoring and improving the quality of health care in the state.
- 2) Access: Arranging for the provision of comprehensive affordable health care coverage to small employers, self-employed persons, and other individuals on a voluntary basis.

Agency Structure



The Dirigo Health Act created the Executive Director position.

The Legislature created the other 13 limited period positions in the 2005/2006 bi-annual budget.

Agency Activities

The Agency is responsible for the activities of the Maine Quality Forum and for administering significant portions of the DirigoChoice program, including discount eligibility, discount distribution, marketing, customer service, financial reconciliation, and preparing the annual aggregate measurable cost savings proposal.

The Agency has also been responsible for serving as the liaison with the Governor's Office of Health Policy and Finance, the Legislature, and the Department of Health and Human Services in areas of oversight and operations.

Key Agency responsibilities include:

Finance

- Manage payments to Anthem
- Manage payments to EBT/EFT accounts (discount process)
- Manage payments to DHHS
- Reconcile billed and paid accounts
- Manage SOP assessment and collection process
- Produce monthly income statements and balance sheets
- Produce year end financial statements
- Work with State Controller and Office of Audit
- Coordinate DHHS and DHA accounting

Eligibility

- Determine discount eligibility and level
- Provide customer service for over 5,000 accounts

Systems

- Manage and produce reports and ad hoc data requests
- Manage data files sent to and received from Anthem
- Develop and maintain website and online tool development
- Provide end user support
- Develop and maintain call tracking, financial, and enrollment systems

Management

- Coordinate product offerings with Anthem & DHHS
- Provide community relations and outreach
- Liaison with Anthem's appointed producers
- Administer Agency policy

Quality – The Maine Quality Forum

The purpose of the Maine Quality Forum is, in consultation with the Maine Quality Forum Advisory Council, to:

- Promote and support systems of health care that use best clinical practices.
- Promote awareness of the need to use health care quality information as part of the decision making process for providers and patients.
- Provide information about health care quality to the people of the State that allows them to make informed decisions about the care they receive.

Key Initiatives

- Initial direction and seed funding for **HealthInfoNet**, a statewide electronic medical record system.
- The **Safety Star** program, a recognition of hospitals with outstanding safety practices.
- **Quality Meter** and Quality Data Access – web based comparison of state health care providers on various quality measures and online access to Maine quality data.
- **In a Heartbeat** – a coordinated effort to educate Mainers of the importance of calling 911 when suffering symptoms of a heart attack.
- **Certificate of Need** review – provide input and guidance to the State regarding the quality of hospital proposals for development.
- **Practice Assessment** – free confidential quality assessments for unaffiliated primary care practices offered in coordination with the Maine Medical Association.
- **Paid Claims Database Analysis** – mapping existing paid claims data (MHDO all payer database) from a payer based model to a patient based model and performing practitioner quality analysis on the data.
- **Quality Metric Standardization** – working with other quality organizations in the State to establish standard quality measurements in health care for the purpose of better comparing and understanding quality data.

Participation and Collaboration

The Agency participates in a wide range of state and national quality programs and works with a number of other organizations in order to help coordinate and prioritize quality efforts in Maine. These programs and organizations include:

- Maine Health Access Foundation (MEHAF)
- Maine Health Data Organization (MHDO)
- Maine Center for Disease Control (CDC)
- The Hanley Trust
- Maine Hospital Association (MHA)
- The Muskie School
- HealthInfoNet
- Maine Medical Association (MMA)
- Maine Osteopathic Association (MOA)
- Maine Health Information Center (MHIC)
- Maine Health Management Coalition (MHMC)
- Quality Counts
- National Quality Forum (NQF)
- Organization of Maine Nursing Executives (OMNE)
- Maine Emergency Medical Services (MEMS)
- Agency for Health Care Research and Quality (AHRQ)
- Medical Care Development (MCD)
- Association of Professionals in Infection Control and Epidemiology (APIC)
- Bath Iron Works (BIW)
- American Nurses Association (ANA)

Access

The Agency expands access to coverage by:

- Building on the current private employer based system through DirigoChoice. DirigoChoice expands access to employer based coverage in two ways:
 - Integrating the MaineCare program, thereby expanding employer based coverage for even the lowest wage workers. The plan allows the State to pool multiple funding sources and combine with MaineCare in order to maximize the Federal Medicaid match.
 - Offering sliding scale subsidies to members who are below 300% of the Federal Poverty Limit (FPL) but who do not qualify for MaineCare
- Established modest expansions in MaineCare Eligibility. Federal law restricts state capacity to expand Medicaid just for DirigoChoice. As such, the expansion covers both those who come through an employer and those who go direct to MaineCare.

DirigoChoice

Contractual Arrangement

The Agency entered into a two year contract with Anthem Blue Cross Blue Shield of Maine (Anthem) to offer DirigoChoice. The Department of Health and Human Services entered into a two year contract with Anthem separately to offer coverage to the DirigoChoice/MaineCare members. The current contracts expire on December 31, 2006.

The Superintendent of Insurance designated the Agency as an “other group” under 24-A M.R.S.A. § 2808 in 2004. As an “other group,” the Agency is the Group Policy Holder. As the Group Policy Holder, the Agency enters into separate agreements with each policy holder (i.e., each Small Group, Sole Proprietor, or Individual) to offer coverage. Anthem provides the administrative functions and holds the risk of the insurance product.

Plan Eligibility

DirigoChoice is available to:

- Small Business (2-50 employees) Employees
- Sole Proprietors (self employed / business of 1)
- Individuals who:
 - Are unemployed
 - Work for a Small Business that does not offer insurance
 - Own a Small Business but cannot get enough employees to join a Small Group plan
 - Work less than 20 hours a week for any single employer
 - Are early retirees whose employer does not contribute to health benefits

Discount Eligibility

The following information is a summary of discount eligibility. These definitions should not be read as final eligibility criteria.

Discount eligibility is based on household income and household size.

Household income is based on:

- Applicant gross wages, tips and salaries (before any deductions)
- Spouse or domestic partner gross wages, or tips and salaries (before any deductions)
- Net self-employment income (gross receipts minus allowable business expenses)
- Investment income (dividends from stocks, bonds, annuities, trusts, mutual fund shares)
- IRA and 401K distributions
- Pensions and annuities
- Net rental income (gross rents minus allowable expenses), royalties, trusts, etc
- Unemployment compensation
- Social Security
- Gross child support and/or alimony received

The following deductions are allowed:

- Childcare expenses - \$200 per child per month if under 2, \$175 per child per month if 2 or older. Caregiver must be a person outside the household.
- Child support paid out (only allowed for children that will not be covered by the applicant's policy).

Household size includes the plan applicant and all of his or her dependents (i.e., spouse, domestic partner, unmarried child under 19, student under 23, or child of any age who is disabled and dependent upon the applicant).

Product

- PPO¹ plan with two options (1) \$1250 deductible or (2) \$1750 deductible (Individuals and Sole Props are only eligible for option 2)
- Preventive covered at 100% (in network); Rx subject to \$10/\$20/\$40 co-payment; \$20 office visit co-payment; mental health parity for all; no pre-existing exclusions; no lifetime maximum.
- Healthy Maine incentive program: The Agency provides cash incentives for members and employers who select a primary care physician and who complete a health risk assessment.
- Anthem's Care Management, Disease Management and SpecialOffers@Anthem™ are included in the product.

Pricing

- The basis for the monthly rates charged for the DirigoChoice product is Anthem's small group adjusted community rating methodology². Anthem modifies the community rate for specific DirigoChoice benefits and then increases the rate by an additional 2.5% for what Anthem actuaries consider additional risk associated with an unknown population.
- The Agency established an Experience Modification Program (EMP) for the first two years of the contract. An EMP is a form of experience underwriting not uncommon in start-up association-like plans where the risk of the population is unknown. The EMP protects the DirigoChoice pool from adverse selection. If the experience outcome is more favorable in the DirigoChoice plan and the loss ratio is at or close to 80%, then Anthem returns all or some of the EMP payments to the Agency. In CY05 approximately \$8.0 million was paid in EMP. In the final EMP settlement the Agency got back from Anthem approximately \$7.3 million.
- The unadjusted community rates for DirigoChoice for the fourth quarter (Q4) of calendar year 2006 are:³

1250	One Adult	Two Adults	Two Adults and Child(ren)	One Adult and Child(ren)
	\$364.61	\$765.68	\$1,093.83	\$656.30
1750				
	\$337.09	\$707.89	\$1,011.27	\$606.76

¹ Preferred Provider Organization.

² A method of establishing the level of premiums in which the premium is based on the average for the entire block or pool of business. The premium is then adjusted by factors that are specific to a particular group, e.g., age, geographic location, standard industry code (SIC), and firm size.

³ Anthem may adjust rates for group size, geography, and age.

Contribution Requirements

Small Group Employers (2-50 employees) and Sole Proprietors (business of one) are required to contribute a minimum of 60% of the employee only (One Adult) coverage cost for employees who work more than 30 hours per week. Employers may pro-rate their contribution for employees who work 30 hours or less per week.

Subsidy Structure

The Subsidy program for enrollees has two parts: discount on the monthly coverage cost and reduced deductibles and out of pocket expenses.

- Households with income under 300% of FPL⁴ receive subsidies on the cost of coverage.
- The subsidies are structured on a sliding scale, with 5 separate discount levels:

Discount Group	A MaineCare Guidelines	B 100-149%	C 150-199%	D 200-249%	E 250-299%
Discount on eligible coverage cost	100%	80%	60%	40%	20%
Household Size	Annual Income Less Than:				
1	Income/assets	\$14,355.00	\$19,140.00	\$23,925.00	\$28,710.00
2	Income/assets	\$19,245.00	\$25,660.00	\$32,075.00	\$38,490.00
3	Income/assets	\$24,135.00	\$32,180.00	\$40,225.00	\$48,270.00
4	Income/assets	\$29,025.00	\$38,700.00	\$48,375.00	\$58,050.00
5	Income/assets	\$33,915.00	\$45,220.00	\$56,525.00	\$67,830.00
6	Income/assets	\$38,805.00	\$51,740.00	\$64,675.00	\$77,610.00

Note: Group A members are MaineCare eligible. MaineCare eligibility is based on income level as well as other factors.

⁴ 2005 Federal guidelines.

- Deductibles and Out of Pocket Expenses based on Discount Group:

	A	B	C	D	E	F
\$1250						
Deductible (Single)	\$0	\$250	\$500	\$750	\$1000	\$1250
Out of Pocket (Single)	\$0	\$800	\$1600	\$2400	\$3200	\$4000
Deductible (Family)	\$0	\$500	\$1000	\$1500	\$2000	\$2500
Out of Pocket (Family)	\$0	\$1,600	\$3200	\$4800	\$6400	\$8000
\$1750						
Deductible (Single)	\$0	\$500	\$800	\$1125	\$1450	\$1750
Out of Pocket (Single)	\$0	\$1600	\$2600	\$3600	\$4600	\$5600
Deductible (Family)	\$0	\$1,000	\$1600	\$2250	\$2900	\$3500
Out of Pocket (Family)	\$0	\$3200	\$5200	\$7200	\$9200	\$11200

Note: Out of pocket includes the deductible

Examples of the Application of the Subsidy

Small Business Employee

- An employer selects the DirigoChoice 1750 Plan for her employees. The monthly cost is based on \$1750 individual / \$3500 family deductible.
- One employee has a wife and 2 children.
- The employee's family's household earned and unearned income, based on filed tax returns, is \$36,000, putting them in Group C.
- In this example, monthly cost for family coverage is \$1,032.
- The employer pays 60% of this cost, or \$619.20.
- The employer withholds the remainder of the monthly cost (\$412.80) from the employee's paycheck.
- The employee receives a monthly cash discount through a debit card in the amount of \$247.68.
- This leaves the employee with a \$165.12 monthly obligation vs. \$412.80.
- Additionally, this family's deductible is \$1,600 vs. \$3,500.

Individual

- An individual selects the DirigoChoice 1750 Plan. The monthly cost is based on \$1750 individual / \$3500 family deductible.
- The individual has a wife and 2 children.
- The employee's family's household earned and unearned income, based on filed tax returns, is \$27,000, putting them in Group B.
- In this example, monthly cost for family coverage is \$1,213.00
- The employee receives a monthly cash discount through a debit card in the amount of \$970.56.
- This leaves the employee with a \$242.44 monthly obligation vs. \$1213.00.
- Additionally, this family's deductible is \$1,000 vs. \$3,500.

Sales Distribution and Marketing

Anthem's network of appointed producers (insurance brokers) is the primary distribution channel for DirigoChoice. Anthem also sells DirigoChoice direct to the market.

	Small Groups	Sole Props	Individuals
Producers	66%	20%	17%
Anthem Direct	34%	80%	83%

Prior to the introduction of DirigoChoice, approximately 5% to 8% of Anthem's small group business was received on a direct basis.⁵

The Agency has engaged in marketing activity to introduce the product to the market, strengthen brand awareness, and emphasize the value proposition to the small business employer.

The Agency has launched the following key marketing initiatives:

- TV / Radio / Print Fall 2005
- Direct Mail to Small Business Fall 2005
- TV Fall 2006

51% of Small Business and Sole Prop and 64% of Individual members learned about DirigoChoice through media (print, TV, and/or radio).⁶

Franklin Incentive Program

The Franklin Community Health Network established an endowment in 2005 to increase access to health care services in greater Franklin County.

The Franklin Community Health Network has leveraged this endowment to help uninsured/underinsured businesses in greater Franklin County, including sole proprietors, purchase DirigoChoice for their employees.

Through this incentive program previously uninsured/underinsured employers, including sole proprietors, are eligible for discounts on their share of the monthly coverage cost. The discounts are 30% in the first year and 15% in year two.

Franklin Community Health Network defines uninsured as not offering coverage within one year prior to enrolling in DirigoChoice.

Franklin Community Health Network defines underinsured as a policy with a deductible of \$5,000 or greater.

⁵ Anthem sales figures as of 07/26/2005.

⁶ Percentages from Muskie DirigoChoice Member Survey August 2006.

Enrollment to Date

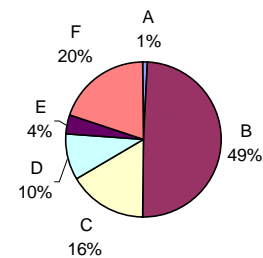
Note: All figures presented without citation are from the Agency's Enrollment System.

Total Group Demographics

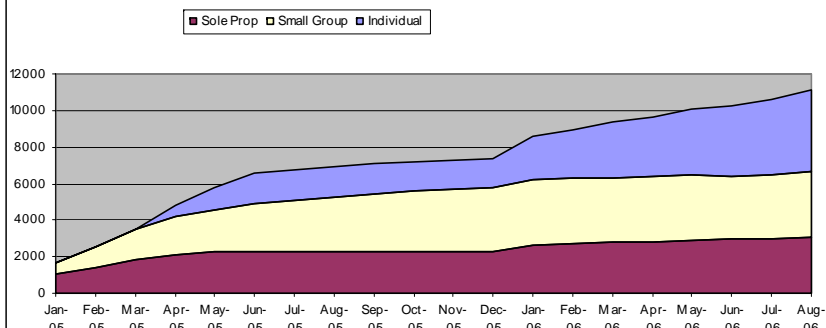
Dirigo Health Monthly Numbers August 2006
Reported by Dirigo Health Agency 09/05/2006

Total Members Served, DC + Parents	19352
New DC Members	638
New Parents	17
Total Enrolled DC Members	11131
Total Enrolled Parents	5108

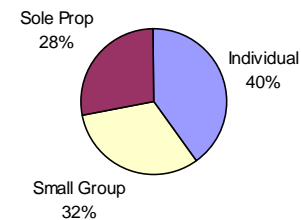
Discount Level Distribution
Total Enrolled DC Members



Member Months Growth



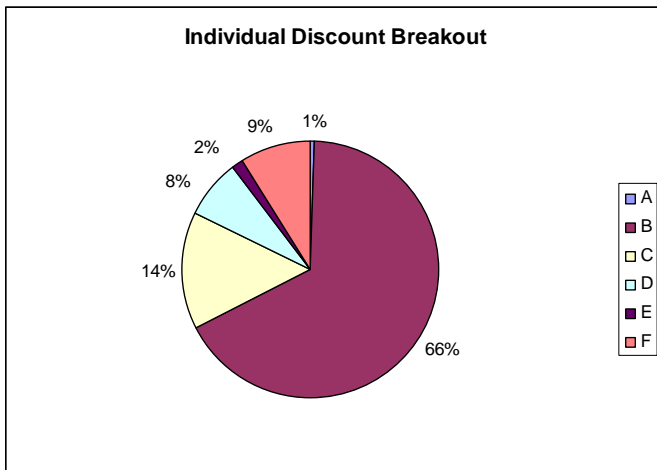
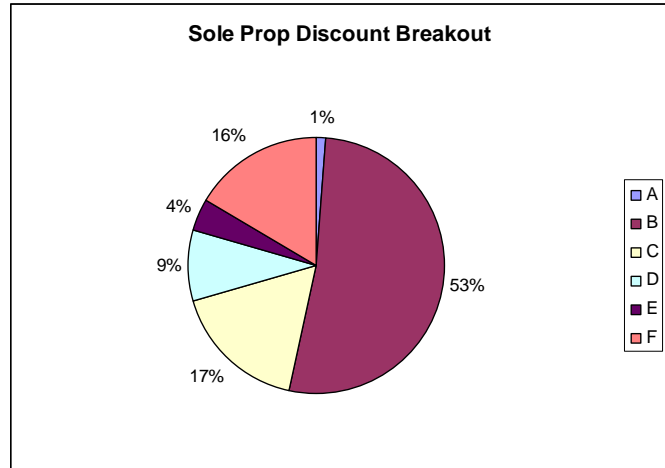
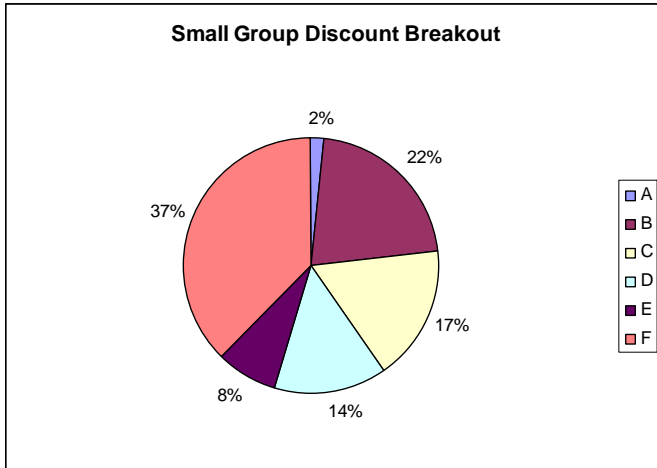
Employer Type Distribution
Total Enrolled DC Members



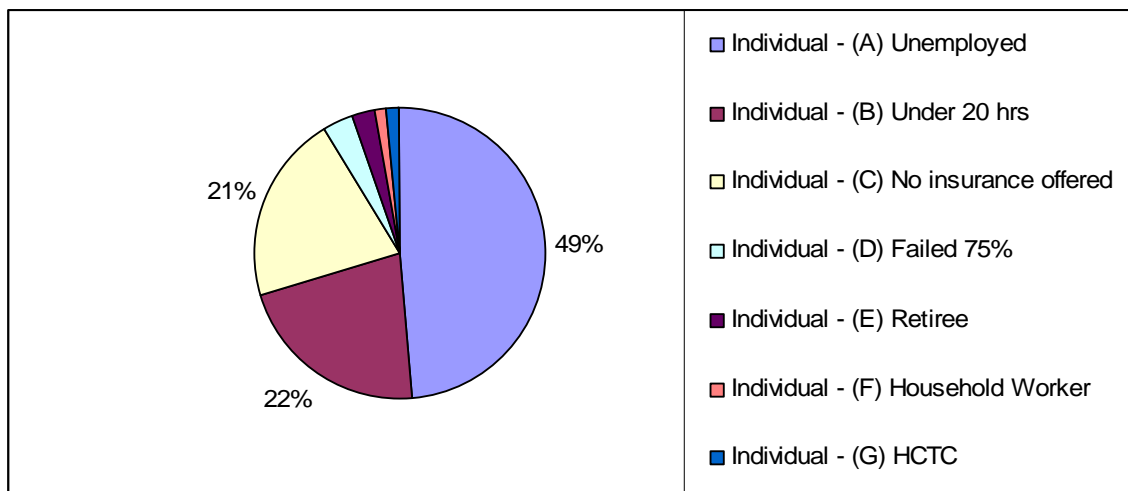
Notes:

1. Total Members Served refers to the total number of members ever enrolled (beginning 01/01/2005) for any period of time in the DirigoChoice or MaineCare Parent Expansion programs
2. Total New Members refers to the number of new members enrolled in the reporting month.
3. Total Enrolled Members refers to the number of members currently enrolled in the reporting month.
4. The current report does not include updated August Parent Expansion numbers.

Employer Type Breakout by Discount Level



Individual Enrollment Breakout



- The program has an average 2% monthly off-cycle termination rate (members leaving due to non-payment, death, moving, etc.).
- The program has a 94% persistency rate (94% of members eligible to renew chose to do so).
- Approximately 63% of DirigoChoice members were either uninsured⁷ or underinsured⁸ prior to enrolling.⁹
- Approximately 40% of DirigoChoice members were previously uninsured.¹⁰
- Approximately 42% of Small Employers enrolled were previously uninsured.
- The average household income¹¹ for DirigoChoice (discount eligible) members is \$11,814.17

Average Household Income by Discount Level	
B	\$5,681.57
C	\$15,893.07
D	\$21,078.98
E	\$27,096.39

⁷ Did not have coverage in the year prior to enrolling in DirigoChoice.

⁸ Defined as deductibles exceeding 5% of income and income was less than 200% FPL. The DHA Board adopted this definition of underinsured in 2005.

⁹ Based on Muskie DirigoChoice member survey and DirigoChoice application material.

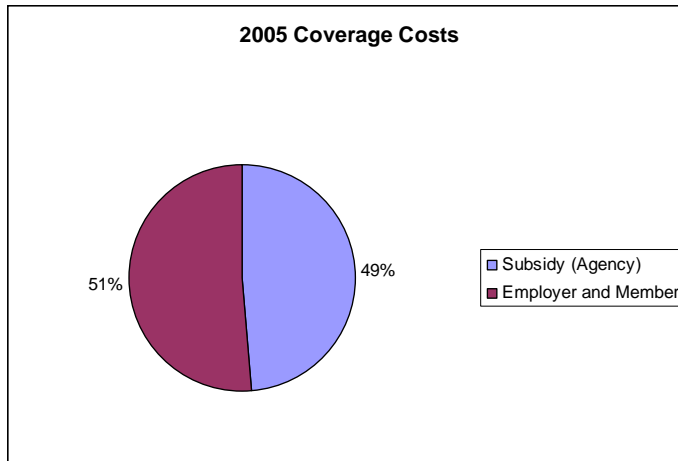
¹⁰ Based on Muskie DirigoChoice member survey and DirigoChoice application material.

¹¹ Household income as defined in discount eligibility above.

Costs

Coverage

CY 2005		
Total DirigoChoice Cost of Coverage (Amount Paid to Carrier)	\$23,598,639	348.43 PMPM ¹²
Total Employer and Member Contributions	\$12,104,746	178.73 PMPM
Total Subsidy paid by Agency ¹³	\$11,493,893	169.71 PMPM
Total Member Months ¹⁴	67728	

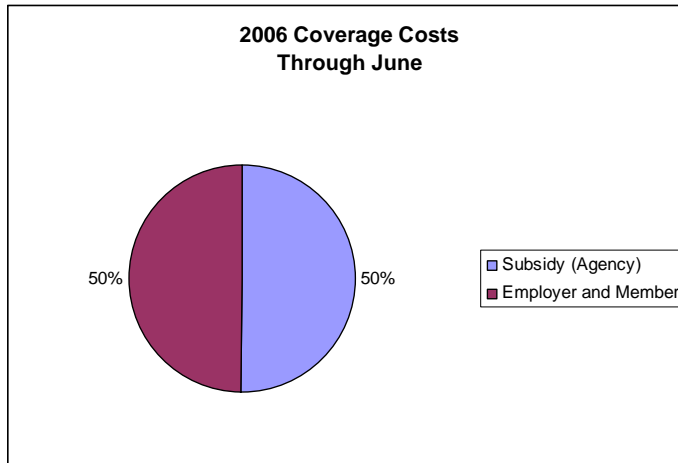


¹² Refers to the cost or revenue from each plan member for a month. Indicates revenue, expenses or utilization of services.

¹³ Includes final EMP settlement.

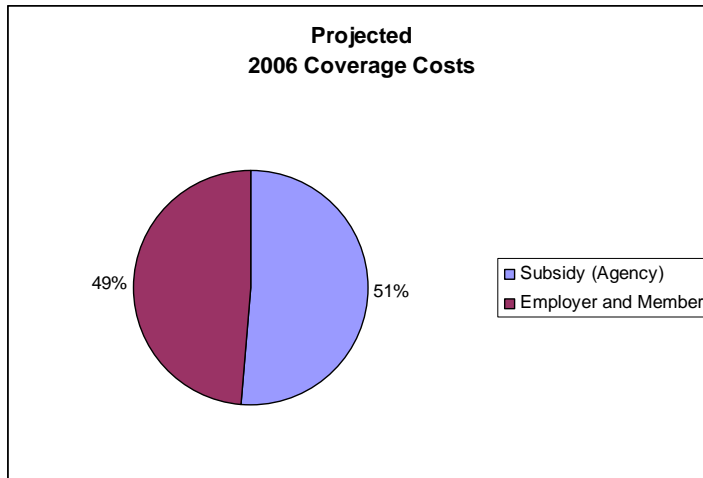
¹⁴ The total of all months that each member is covered by a plan. A plan with 1,000 members in January and 1,200 members in February has year-to-date 2,200 member months as of March 1. Member months, and ratios calculated by member months provide the most relevant statistics for evaluating a plan's financial performance.

CY 2006 (Through June)		
Total DirigoChoice Cost of Coverage (Amount Paid to Carrier)	\$20,801,095	361.67 PMPM
Total Employer and Member Contributions	\$10,340,748	179.80 PMPM
Total Subsidy paid by Agency ¹⁵	\$10,460,347	181.87 PMPM
Total Member Months	57514	



¹⁵ EMP not included as final settlement for 2006 is due in June 2007.

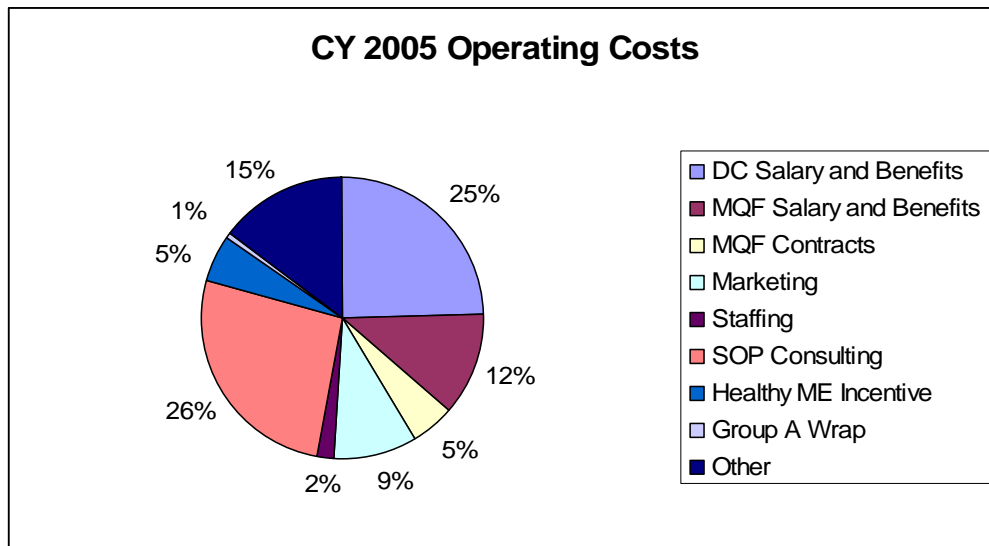
CY 2006 (Estimated)		
Total DirigoChoice Cost of Coverage (Amount Paid to Carrier)	\$51,128,162	404.64 PMPM
Total Employer and Member Contributions	\$24,910,126	197.14 PMPM
Total Subsidy paid by Agency ¹⁶	\$26,218,486	207.50 PMPM
Total Member Months	126355	



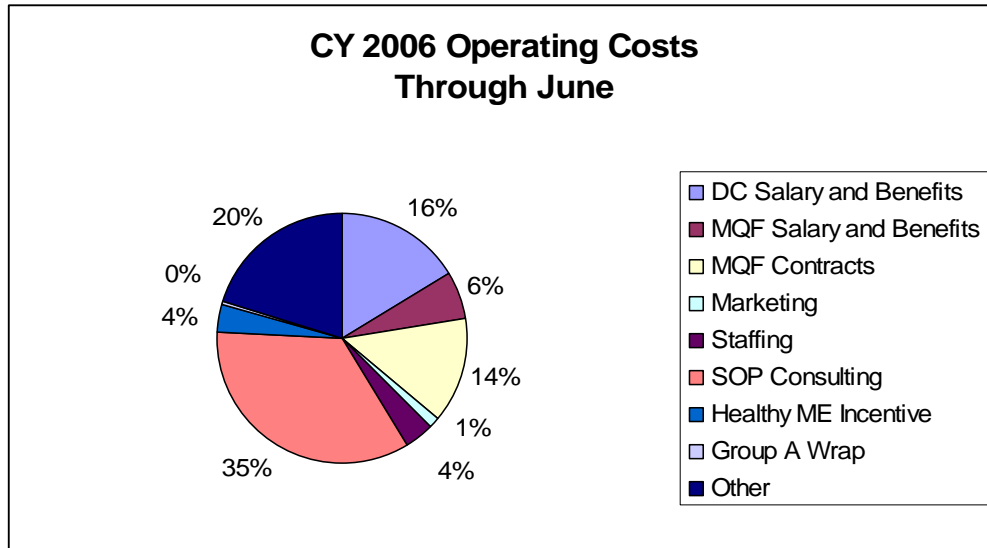
¹⁶ EMP not included as final settlement for 2006 is due in June 2007.

Operating

CY 2005	
Total Operating Cost	\$ 3,287,095
Total Operating Cost DirigoChoice	\$ 2,736,490
DirigoChoice Operational Cost PMPM	\$ 40
Percent of Agency DirigoChoice Cost	19.23%

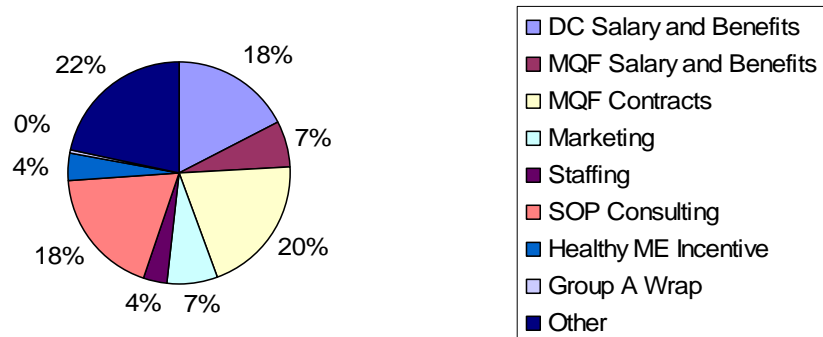


CY 2006 (Through June)	
Total Operating Cost	\$ 2,642,348
Total Operating Cost DirigoChoice	\$ 2,118,594
DirigoChoice Operational Cost PMPM	\$ 37
Percent of Agency DirigoChoice Cost	16.84%



CY 2006 Projected	
Total Operating Cost	\$ 4,919,614
Total Operating Cost DirigoChoice	\$ 3,694,689
DirigoChoice Operational Cost PMPM	\$ 28
Percent of Agency DirigoChoice Cost	12.06%

**Projected
CY 2006 Operating Costs**



Claims Experience

- DirigoChoice Loss Ratio¹⁷ for claims incurred January 2005 through June 2006 paid through August 2006 is 78.9% (Small Group is 65.8%, Sole Prop is 72.7% and Individual is 102.2%).
- As of July 2006 there were 856 members identified with “high risk pool” criteria as defined in the Dirigo Health Act. The majority of these members were identified based on diagnosis; 18 members were identified based on claims in excess of \$100,000.
- In this reporting period the top 1% of claimants drove 29.3% of the plan costs. This percentage compares to the Anthem norm of 30%.
- Average cost for those members who submitted a claim during the reporting period was \$2,700.35. This compares to \$2,786.69 for the Anthem norm.
- In this reporting period generic drug utilization was 57.1%
- Top five major practice category groups: endocrinology, orthopedic, behavioral health, cardiology, neurology. These categories account for 45.6% of members receiving care and approximately 50.4% of projected costs.

MaineCare Eligibility Expansion

Enrollment for the time period May 2005-June 2006 for expansion parents that enroll directly through MaineCare was 5,108 for a total of 53,603 member months.

DHHS estimates the medical costs for this population for this time period at approximately \$7 million. The State is responsible for approximately \$2.7 million and the remaining \$4.2 million is paid with federal funds.¹⁸

The estimated medical PMPM for this group based on above medical costs is \$130.59 of which the Agency is responsible for \$50.37.

¹⁷ The ratio of the annual claims paid by an insurance company to the premiums received.

¹⁸ Pending final DHHS reconciliation.

Key Agency Activities

The Agency is negotiating with Anthem to provide DirigoChoice/MaineCare in 2007.

The Agency has just qualified as a Health Care Tax Credit (HCTC) program and has begun enrolling displaced workers into that plan.

Managing our newly created “hot line” which is a dedicated toll free phone number staffed with representatives who have been trained to assist the caller with their needs as they work through the system. This assistance includes providing educational information regarding DirigoChoice, referrals to an insurance producer and any other assistance that is needed through the enrollment process.

Targeted outreach activities in collaboration with Anthem.